

# The Impact of ‘No New Coal’ Pledge on China’s Overseas Coal Investments

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Webinar on The State of Southeast Asia Energy Transition  
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# AGENDA

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**01** The Pledge: A Pivot in China's Overseas BRI Policy

**02** Why did China make this pledge?

**03** Impact of the Pledge

**04** What's Next?

# Opinions on the Joint Implementation of Green Development in the Belt and Road Initiative

*National Development and Reform Commission (NDRC), Ministry of Foreign Affairs, Ministry of Ecology and Environment, and the Ministry of Commerce, March 2022*

*Cements the pledge and provides the guidelines for overseas coal plants in various stages, namely:*

- 01** Planned or ‘New’
- 02** Under Construction
- 03** Already Constructed

# China is the largest historical supporter of Overseas Coal Investments

**123GW** of operating coal plants outside of China have either financial and/or EPC backing from China.

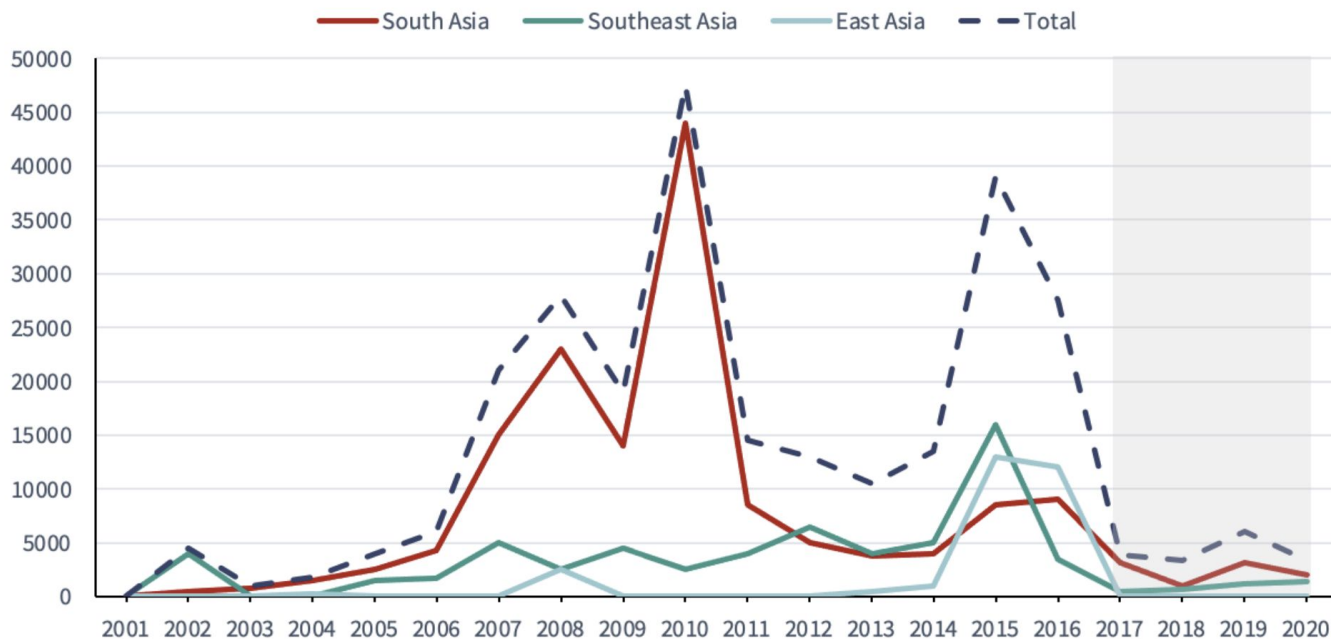
- **Financing** in the form of equity investments and loans channelled via the China Development Bank and the Export-Import Bank of China
- **Engineering, procurement, & construction** (EPC), which allows shorter-term gains for Chinese companies

**12%** of the coal generation fleet outside of China GW — all built in the last 2 decades

# China is the largest historical supporter of Overseas Coal Investments

Chinese Policy banks provided a total **US\$245.8 billion to energy finance between 2000 and 2020**  
(Global Development Policy Center)

Public Financing for overseas coal **peaked in 2017**



SOURCE: Data from 2001 to 2016 from Global Environment Institute, 2017 / GCPT 2021

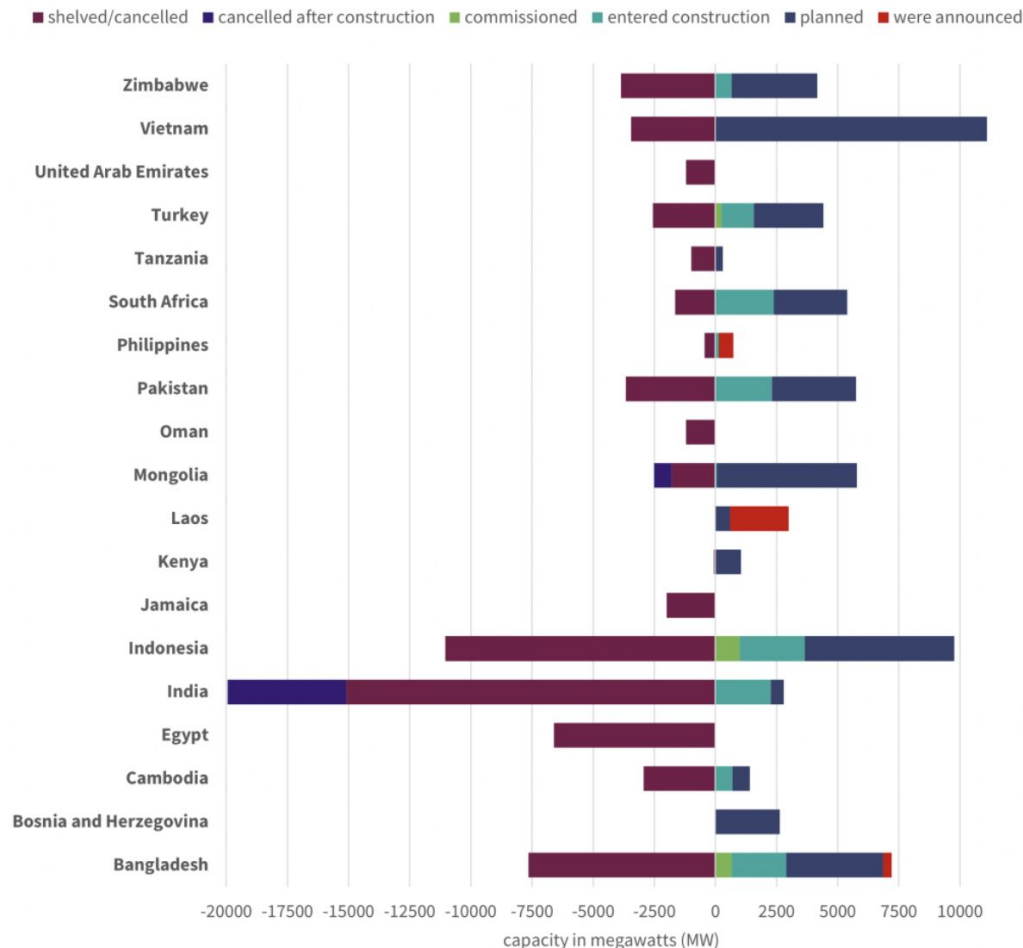
## 01 | A Pivot in China's Overseas BRI Policy

# Majority of China-backed coal projects have not moved forward

**4.5x more capacity** was **shelved/cancelled** vs. **entered into construction** between 2017 and 2021 (CREA, 2021)

Chinese-backed coal plants worth **US\$65 billion** were **cancelled, mothballed, or shelved** in 2019 and 2020

(International Institute of Green Finance, 2021)



## 02 | Why Did China Make This Pledge?

**Public perception &  
climate concerns**

**Poor Economics  
of new coal power  
plants**

**Shifts in Financing &  
cleaner, increasingly  
affordable RE**

**Changes in Host Country  
Policies**

## 02 | Why Did China Make This Pledge?

### Public perception & climate concerns

- Public resistance to coal
- Awareness of the externalities & risks associated with its development and operations, especially at the community level



## 02 | Why Did China Make This Pledge?

### Poor Economics of new coal power plants

- Overcapacity in the pipeline and the grids
- Major delays or cancellations
- A slowdown in growth of power demand, exacerbated by the Covid-19 pandemic

## 02 | Why Did China Make This Pledge?

- New Energy policies
- Policies to control pollution externalities and risks associated with its development and operations



**Changes in Host Country  
Policies**

## 02 | Why Did China Make This Pledge?

- In many BRI countries, solar and wind are already more affordable than new coal **build** (Carbon Tracker, 2020)

**Shifts in Financing &  
cleaner, increasingly  
affordable RE**

# Notable domestic & international responses

## Examples of notable domestic pledges:

- **Bank of China (BOC)** will no longer provide financing for new overseas coal-mining and coal power projects, 'except for the projects that have signed loan agreements'
- **Ping An Bank** updated coal policy states it would "follow this (the pledge) going forward"
- **Tsingshan Holding Group**, a privately-owned conglomerate and major player in overseas industrial parks for its steel industry player, announced it would not build any new coal power plants overseas
- **China Eximbank** confirmed it would no longer finance new overseas coal power projects
- **China Export & Credit Insurance Corporation (Sinosure)** — provider of insurance (equity and contracts) for overseas coal — confirmed it would not underwrite overseas coal power plants. Their backing is often a prerequisite for obtaining finance from Chinese banks

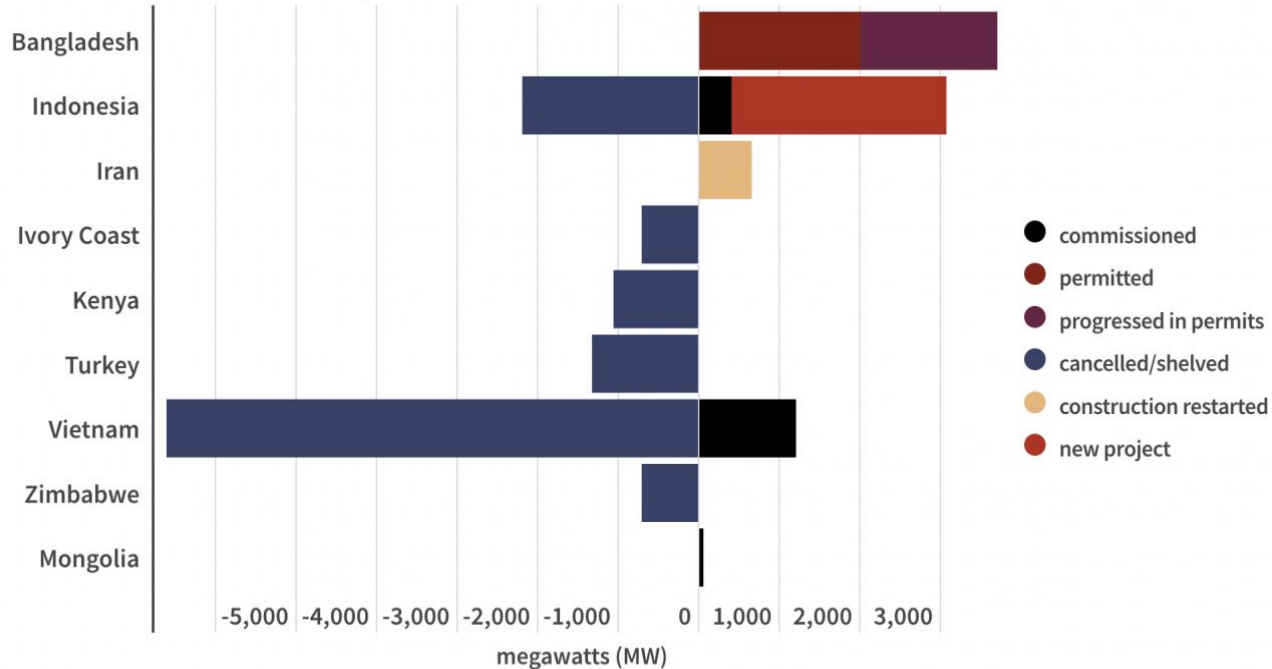


# 12.8 GW shelved or cancelled since September 2021 Pipeline

15 plants with either financial backing or EPC support

A result of revised energy policies in host countries and withdrawal of support from Chinese firms.

Change in project status between September 2021 and January 2022



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*National Development and Reform Commission (NDRC), Ministry of Foreign Affairs, Ministry of Ecology and Environment, and the Ministry of Commerce, March 2022*

## 01 Planned or 'New'

China will not build any *new* coal power plants overseas, ordering **a full stop to all** “new build”

## 02 Under Construction

The “Opinions” urge Chinese parties to proceed “steadily and cautiously”

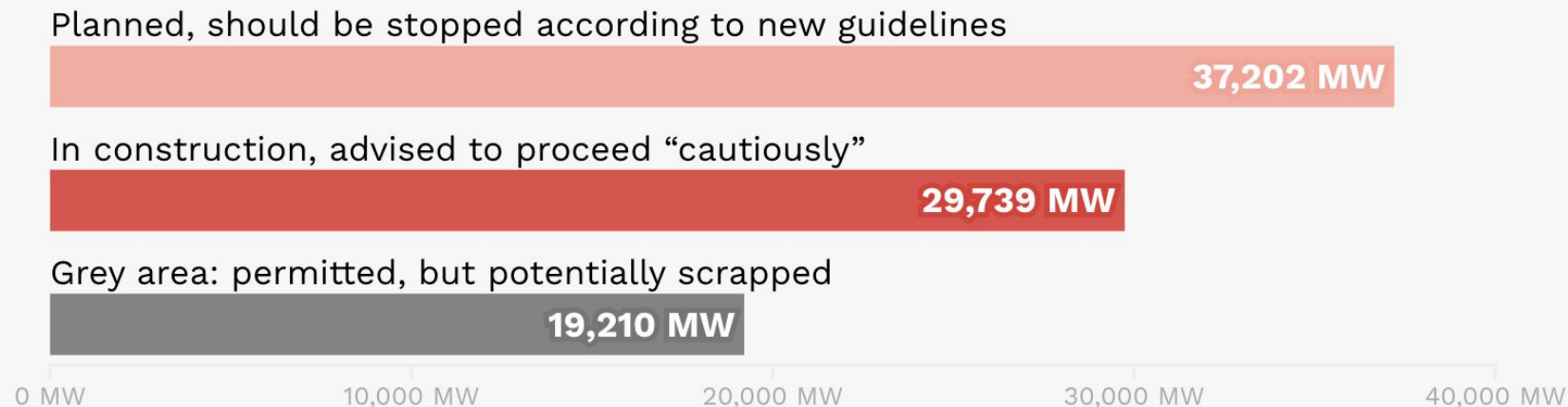
## 03 Already Constructed

Chinese companies and banks should promote “greening”, “strengthening” and “upgrading”

## 04 | What's Next?

### How much overseas coal could be halted?

Predicted status of planned overseas coal projects with Chinese financial or EPC support, based on new NDRC guidelines

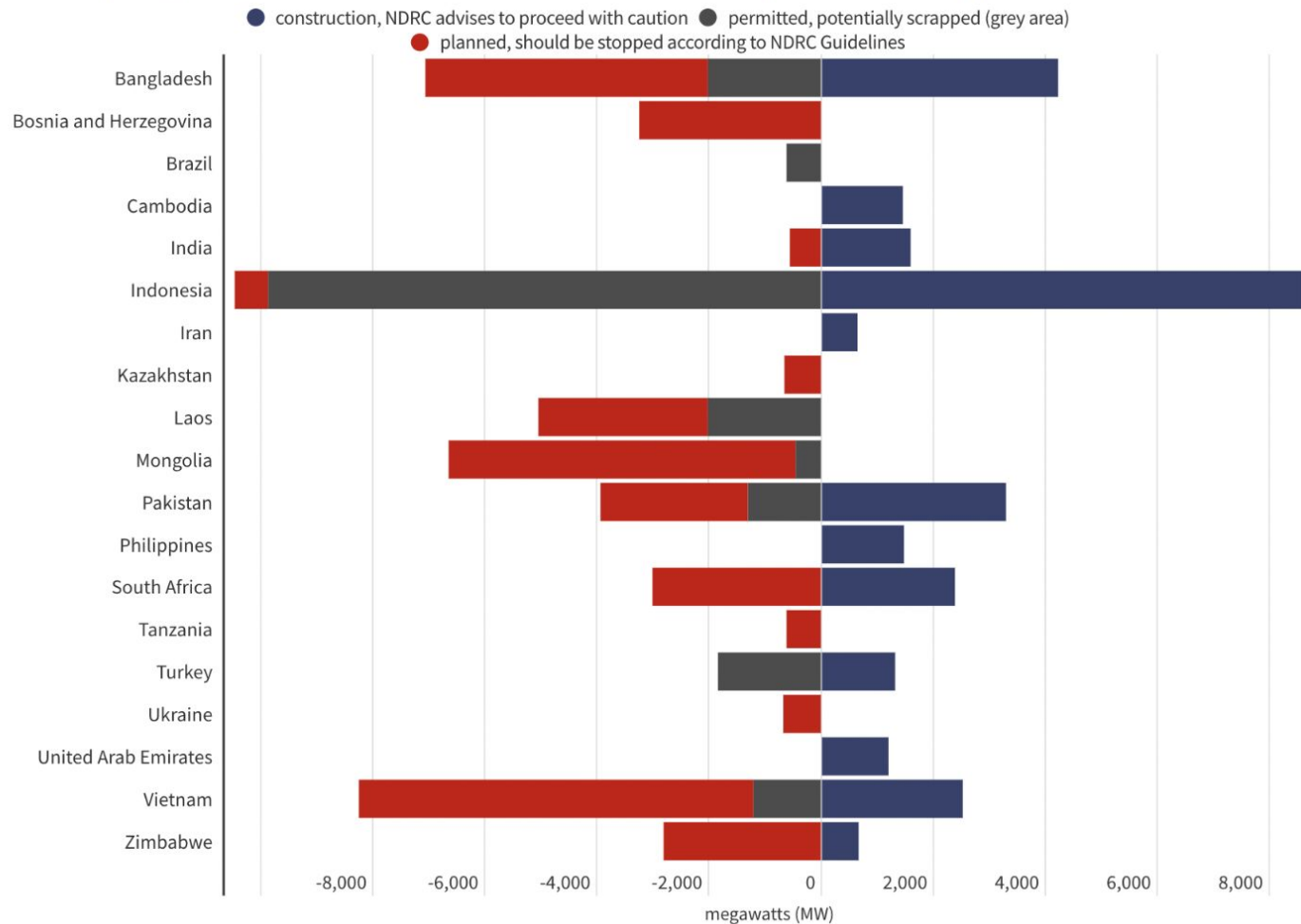


Source: [CREA](#) • Graphic by China Dialogue



## 04 | What's Next?

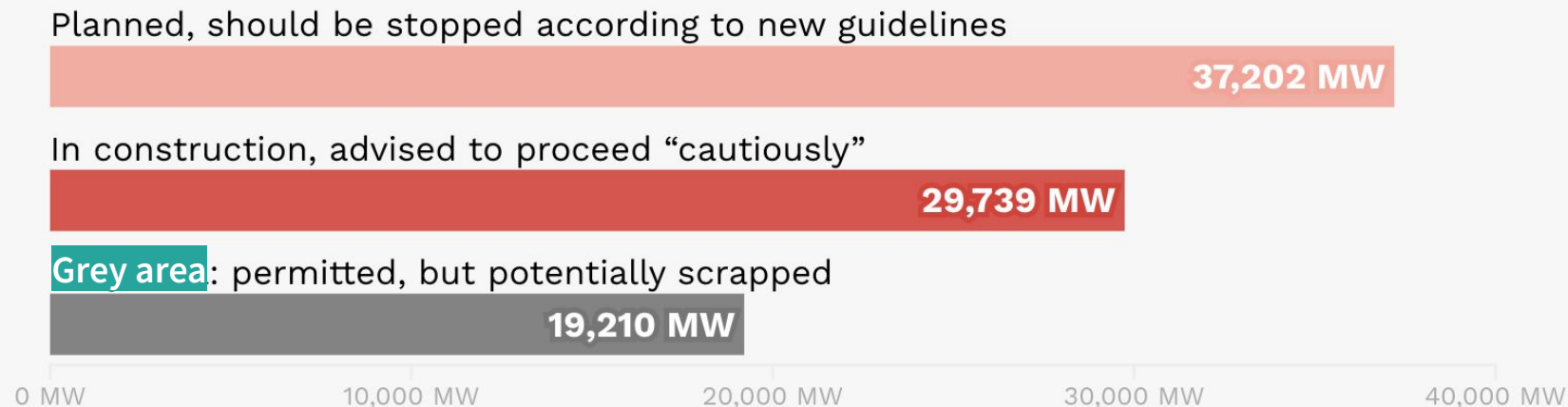
# Estimated Impact of China's Ban on Overseas Coal in Host Countries



## 04 | What's Next?

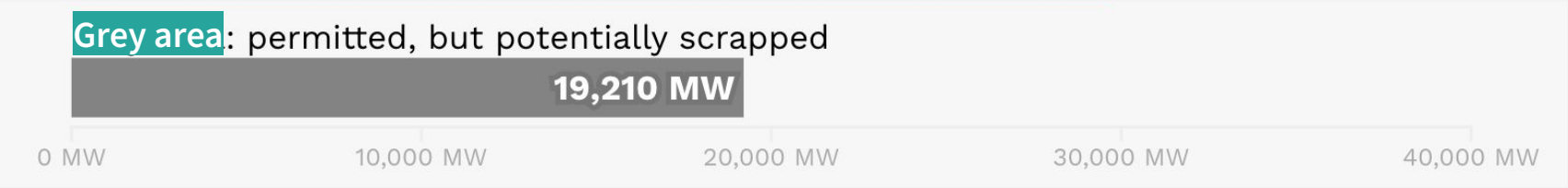
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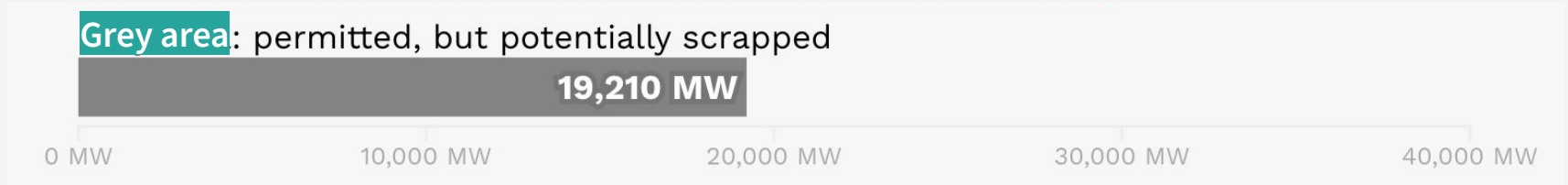


Source: [CREA](#) • Graphic by China Dialogue

04 | What's Next?



## 04 | What's Next?



- Have secured financing or permits but have **not** entered into construction
- Captive plants tied to BRI industrial projects
- False solutions that would prolong the life of coal infrastructure

## 04 | What's Next?

### On Policy:

#### China

Further binding policy guidance on the implementation to close the loopholes.

#### Host Countries

Initiate coal cancellations (especially for unneeded projects) and/or renegotiation

- Projects with contracts that can be renegotiated to gas (for later ) and/or renewables should
  - South Africa 3,300 MW Musina-Makhado Special Economic Zone coal plant replaced by proposal for 1 GW of solar
  - [Solar plant to replace 300MW](#) Gwadar in Pakistan
- Host countries revising their energy plans are expected to cull the remaining coal pipeline. Given the changed dynamics and poor economics around coal, this should include a STOP in all coal new projects without physical infrastructure or firm, signed contracts.

## 04 | What's Next?

### **China**

Further binding policy guidance on the implementation to close the loopholes.

### **Host Countries**

Initiate coal cancellations (especially for unneeded projects) and/or renegotiation

**Leverage the Green BRI pledge**

**Prioritize the enabling environment & policies to attract & develop renewables**

**Redirect international / overseas finance to green RE and grid infrastructure & efficiency**



# CREA

Centre for Research on **Energy** and **Clean Air**

# Thank you!

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